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Message Text

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21
ACTION AGR-08

INFO OCT-01 AF-06 ARA-06 EA-07 EUR-12 NEA-10 IO-11 ISO-00

FEA-01 XMB-02 CIAE-00 DODE-00 NSAE-00 NSCE-00 SSO-00

USIE-00 INRE-00 CEA-01 COME-00 EB-07 FRB-03 H-02

INR-07 INT-05 L-03 LAB-04 NSC-05 PA-01 AID-05 CIEP-01

SS-15 STR-04 ITC-01 TRSE-00 PRS-01 SP-02 OMB-01 /132 W
---------- 058371
O 281154Z FEB 76
FM AMEMBASSY BONN
TO SECSTATE WASHDC IMMEDIATE 6818
INFO AMEMBASSY BRUSSELS IMMEDIATE
AMEMBASSY DUBLIN IMMEDIATE
AMEMBASSY LONDON IMMEDIATE
AMEMBASSY LUXEMBOURG IMMEDIATE
AMEMBASSY PARIS IMMEDIATE
AMEMBASSY ROME IMMEDIATE
AMEMBASSY THE HAGUE IMMEDIATE
AMEMBASSY COPENHAGEN IMMEDIATE
USMISSION EC BRUSSELS IMMEDIATE
USDEL MTN GENEVA IMMEDIATE
AMCONSUL BREMEN IMMEDIATE

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E.O. 11652: N/A
TAGS: ECON ETRD US EEC
SUBJECT: EC TROPICAL PRODUCTS PROPOSAL -- TOBACCO GSP

REFS: (A) STATE 48126; (B) STATE 44621

1. US OBJECTIONS TO EC PROPOSED GSP OFFER ON TOBACCO
WERE CONVEYED ON FEBRUARY 28 TO KUEHN IN FRG ECONOMICS
MINISTRY. KUEHN RESPONDED THAT THE PROPOSAL BY THE
EC COMMISSION NOW UNDER CONSIDERATION REPRESENTS IN HIS
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THINKING THE BEST ATTAINABLE COMPROMISE AMONG THE

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INTERESTS OF ALL COUNTRIES INVOLVED INCLUDING THE US.
HE DID NOT BELIEVE THE US COULD HAVE ANY LEGAL
OBJECTIONS TO THE COMMUNITY'S OFFER. WHILE HE AGREED
THAT THE OFFER WOULD HAVE AN ECONOMIC IMPACT ON US, HE
CONTENDED THAT THE COMMISSION'S PROPOSAL HAD BEEN
DRAFTED TO MINIMIZE THIS IMPACT AS MUCH AS POSSIBLE
WHILE STILL MEETING THE INTERESTS OF OTHERS.
HE NOTED THAT FOR 24.01 A1 THE MAXIMUM DUTY OF 45 U/A
WILL NOT BE CHANGED, SO AS TO MINIMIZE IMPACT ON US,
WHILE GSP IMPORTS UNDER 24.01 B WILL BE LIMITED BY
50,000 TON QUOTA.

2. WE ASKED FOR KUEHN'S REACTIONS TO US SUGGESTIONS
FOR MODIFYING THE EC OFFER. AS REGARDS THE SUGGESTION
TO PLACE ALL GSP IMPORTS UNDER THE 50,000 TON QUOTA,
KUEHN SAID THAT THIS WOULD UPSET THE DELICATE BALANCE
BETWEEN RESTRICTIVE AND BENEFICIAL ASPECTS TO LDC
BENEFICIARIES OF THE PRESENT OFFER AND THAT THE ONLY
WAY TO OFFSET THE IMPACT OF EXTENDING THE
QUOTA TO ALL TOBACCO IMPORTS WOULD BE TO LOWER THE
TARIFF RATES. HOWEVER, IN VIEW OF LINKAGE BETWEEN
TARIFF PROTECTION AND PAYMENTS TO TOBACCO PRODUCERS
WITHIN EC, SUCH LOWERING OF GSP TARIFF RATES WOULD
REQUIRE AN INCREASE OF SUPPORT PAYMENTS. THE FRG AND
UK WOULD OBJECT TO SUCH AN INCREASE ON BUDGETARY
GROUNDS.

3. WHILE THE FRG ITSELF WOULD HAVE NO OBJECTIONS TO
NEGOTIATING FURTHER CONCESSIONS ON AN MFN BASIS,
KUEHN SAID THAT THE COMMUNITY IS CAUGHT BETWEEN THE
US REQUEST ON THE ONE HAND AND ON THE OTHER, THE
ITALIAN DEMAND THAT THE COMMUNITY DECLARE THAT NO EC
CONCESSIONS ON TOBACCO IN ADDITION TO PRESENT GSP
OFFER WILL BE TABLED DURING THE MTN. THE FRG POSITION
IS THAT THE COMMUNITY SHOULD REFRAIN FROM MAKING ANY
STATEMENT WHATEVER, AND TO LET EVENTUAL MTN NEGOTIATIONS
TAKE THEIR COURSE AS FAR AS TOBACCO IS CONCERNED.
KUEHN BELIEVES THAT THE BRITISH AND DUTCH AT LEAST
SUPPORT THE FRG'S VIEW THAT THIS QUESTION BE LEFT OPEN.

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4. KUEHN UNDERSTANDS THAT PETER SHORE INTENDS TO MAKE
STATEMENT AT MARCH 2 COUNCIL MEETING RECOMMENDING MORE
FAR-RANGING EC OFFER ON GSP BASIS. KUEHN BELIEVES THAT
THIS RECOMMENDATION WILL BE MADE JUST FOR THE RECORD,
SINCE IT IS CLEAR THAT SHORE WOULD RECEIVE LITTLE
SUPPORT FROM OTHER MEMBER COUNTRIES. THE FRG FOR ITS
PART DOES NOT INTEND TO SUPPORT A BROADENING OF THE
GSP OFFER.

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5. KUEHN ACKNOWLEDGED THAT US WAS PERFECTLY RIGHT IN CONTENDING THAT GERMANY WOULD GAIN MORE FROM AN MFN REDUCTION THAN FROM THE EC'S GSP OFFER. HE OBSERVED, HOWEVER, THAT THE EC TOBACCO OFFER HAS NOT BEEN FRAMED WITH ECONOMIC OBJECTIVES IN MIND. IN EARLY STAGE OF COMMUNITY DISCUSSIONS OF TOBACCO OFFER, FRG HAD OUT-LINED A SUGGESTION FOR AN MFN OFFER. WHILE THIS PROPOSAL WAS DESIGNED PRIMARILY FOR THE BENEFIT OF LDC'S, THE US AND OTHER NON-GSP SUPPLIERS WOULD HAVE BENEFITTED SLIGHTLY. GERMANY DROPPED THIS PROPOSAL AFTER REALIZING THAT IT HAD NO SUPPORT WITHIN THE COMMUNITY ASIDE FROM THAT OF THE BRITISH.
HILLENBRAND

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